

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4387-01
BILL NO.: HB 2087
SUBJECT: Business and Commerce; Corporations; Economic Development Department;
Taxation and Revenue - General.
TYPE: Original
DATE: March 13, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(unknown)	(unknown)
Total Estimated Net Effect on <u>All</u> State Funds *	\$0	(Unknown)	(Unknown)

* Could possibly exceed \$100,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** did not respond to our request for fiscal impact.

In response to an identical proposal from this year, officials from the **Department of Social Services (DOS)** assumed this is not intended to relate to individual benefit programs such as Food Stamps, cash and medical benefits administered by the Division of Family Services. It is also assumed that existing contracts with service providers would include the data needed by the DED to produce the required annual report. Based upon these assumptions, no fiscal impact is assumed by the DOS.

The DOS stated that if the Department of Economic Development issues rules which require the submission of information to them relating to individual benefit programs or which exceed current data maintained by the DOS, cost would be incurred.

Officials from the **Department of Natural Resources (DNR)** state the Department of Economic Development would be required to prepare an agreement form, as well as establish the standard information that must be included in the report that would be submitted by each department impacted by this proposed legislation.

The DNR states that since the agreement form and the reporting standards have not yet been established, the DNR is unable to determine the amount of increased tracking and reporting requirements that would result from this proposal. The DNR assumes that additional resources may have to be requested if the tracking and reporting requirements are more extensive than what is currently being done.

In response to identical legislation from this year, officials from the **Missouri Department of Conservation (MDC)** state they are unsure if the proposed legislation would apply to landowner incentive payments paid to individual landowners. If the legislation applies, the MDC assumes there would be significant impact to their agency because of the agreement and reporting requirements.

In response to identical legislation from this year, officials from the **Department of Elementary and Secondary Education** and the **Department of Revenue** assume the proposal will not fiscally impact their respective agencies.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Economic Development's authority to

ASSUMPTION (continued)

promulgate rules, regulations, and forms. SOS estimates the division could require approximately 16 new pages of regulations in the Code of State Regulations at a cost of \$26.50 per page, and 24 new pages in the Missouri Register at a cost of \$22.50 per page. Costs due to this proposal are estimated to be \$964, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Oversight assumes this proposal would affect the Department of Economic Development and all state and local agencies that use economic incentives. Oversight assumes the additional reporting requirements, project tracking, goal monitoring and coordination would result in an unknown amount of expense in fiscal years 2002 and 2003, estimated to exceed \$100,000.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

<u>Costs</u> - Expenses to implement the accountability provisions	\$0	(unknown)	(unknown)
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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LOCAL POLITICAL SUBDIVISIONS

<u>Costs</u> - Expenses to implement the accountability provisions	\$0	(unknown)	(unknown)
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FISCAL IMPACT - Small Business

A fiscal impact to small businesses would be expected as a result of this proposal if the record-

keeping and reporting standards regarding their received economic incentive are increased.

DESCRIPTION

This bill requires all persons receiving any type of economic incentive, as defined in the bill, to enter into an agreement with the entity administering the incentive on a form obtained from the Department of Economic Development (DED). The bill outlines the components to be contained in the agreement, including a description of the incentive and the public purposes for which the incentive is intended; the goals for the incentive; a description of the financial obligation of the recipient if the goals are not met; a statement of why the incentive is needed; and a list of all other financial assistance received by the recipient for the same project. Recipients who violate any term of the agreement are required to repay the benefit plus reasonable interest and penalties, and are ineligible to receive any economic incentives for 5 years from the date of the violation or until the repayment obligation is met. The providers of incentives are required to monitor the progress of recipients in achieving their agreement goals. Recipients are required to provide information regarding goals and results for 2 years after the receipt of the benefits or until the goals are met. Providers of incentives are to annually report on the incentives they administer to the DED, by April first. The DED is required to promulgate rules regarding the contents of these reports. In addition, the DED is to publish and make available to the public a summary of the information submitted by the providers of incentives through the required annual report; DED's summary is to include information on the amount and type of incentives provided and rates of goal achievement among recipients of incentives. The bill's provisions apply to all economic incentives awarded or received after December 31, 2001.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Secretary of State's Office
Department of Revenue
Department of Social Services
Department of Natural Resources
Department of Elementary and Secondary Education
Missouri Department of Conservation

NOT RESPONDING: Department of Economic Development

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A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
March 13, 2000